

VZCZCXRO1635

PP RUEHAG RUEHAST RUEHBI RUEHCI RUEHDBU RUEHDF RUEHIK RUEHLH RUEHLN
RUEHLZ RUEHPW RUEHROV RUEHVK RUEHYG
DE RUEHAH #1308/01 3370707
ZNR UUUUU ZZH
P 030707Z DEC 07
FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC PRIORITY 9820
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 3074
RUEHBJ/AMEMBASSY BEIJING 0889
RUEHKO/AMEMBASSY TOKYO 0763
RUEHIT/AMCONSUL ISTANBUL 1339
RUEATRS/DEPT OF TREASURY WASHDC
RHEHNSC/NSC WASHDC
RHMFIUU/CDR USCENCOM MACDILL AFB FL
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUEKJCS/SECDEF WASHINGTON DC
RUEHVEN/USMISSION USOSCE 1968

UNCLAS SECTION 01 OF 02 ASHGABAT 001308

SIPDIS

SENSITIVE
SIPDIS

STATE FOR SCA/CEN, EEB
TREASURY FOR JEFFERY BAKER

E.O. 12958: N/A

TAGS: [PGOV](#) [ECON](#) [EFIN](#) [TX](#)

SUBJECT: TURKMENISTAN: CREEPING FORWARD ON BANKING REFORM

REF: A. ASHGABAT 1253

[1](#)B. ASHGABAT 1230

[1](#)1. (U) Sensitive but unclassified. Not for public Internet.

[1](#)2. (SBU) SUMMARY: At a meeting that President Berdimuhamedov held with senior bank officials on November 28, Central Bank (CBT) Chairman Geldimyrat Abylov reported that the CBT is continuing to study available options regarding financial sector reform and reviewing current international practices. Berdimuhamedov then fired the chairmen of Halk Bank and Garagum Bank (both government entities) and reiterated a previous directive to the Dayhan Bank chairman to work out a better payment structure for cotton farmers (Ref. A). The meeting also included discussions related to uniting the dual exchange rates (Ref. B). These discussions appear to be a step in the right direction, but the minor proposals discussed thus far are unlikely to have much impact. Closer technical cooperation with international organizations, international financial institutions, and foreign missions that would foster real reform is still in a nascent stage. END SUMMARY.

[1](#)3. (U) On November 28, President Berdimuhamedov held a meeting with the country's bankers, banking regulators, Minister of Economy and Finance Hojamyrat Geldimyratov, and Director of the Institute of Strategic Planning and Economic Development Ashyr Gubanguliyev. The president said that banks should be in charge of bringing the country's financial system in line with current economic reforms. Central Bank (CBT) Chairman Geldimyrat Abylov reported that the CBT is continuing to study international financial practices, and that it is currently engaged in dialog with international financial institutions.

[1](#)4. (U) Berdimuhamedov fired the chairmen of Halk Bank and Garagum Bank for incompetence, and appointed Gurbanmyrat Begmyratov and Akmyrat Mammedov as the new chairmen respectively. The president cited professionalism as the top criteria for appointing top bank executives. Berdimuhamedov

instructed the Chairman of Dayhan Bank to work out a better payment mechanism for cotton producers (Ref. A).

¶15. (U) The group discussed reform goals in the Turkmen financial sector and options for determining the value of ruble deposits that had been made before the introduction of the manat. (NOTE: No other information was provided regarding the nature of these deposits, but post assesses that these were private deposits, left in place in 1993 in the hope that the abysmal exchange rate would improve. It did not. END NOTE.) Meeting participants also discussed potential measures to unify the official and "market" exchange rates (Ref. B). Berdimuhamedov ordered an increase in the number of Automatic Teller Machines (ATMs) and asked the banking sector to support private sector development by issuing more loans. (NOTE: The only ATMs in Turkmenistan support cards from Turkmen Bank and Vneshekonombank and are used only for cash withdrawals in manat. END NOTE.)

¶16. (SBU) COMMENT: What appears to be another standard meeting on the financial sector is chockablock with commentary on Turkmenistan's leadership style and financial management. It is astounding that 14 years after the country's conversion to the manat, Turkmenistan has not yet converted private ruble accounts to manat. Nevertheless, international financial experts are likely pressuring Turkmenistan's banks to resolve these old accounting issues in order to bring the banks into conformance with international banking standards. It will not be an easy or painless task. The directive to install ATMs is not surprising, as technology is absolutely a fad in Turkmenistan. However, perhaps the government should focus first on building peoples' trust in banks before taking the

ASHGABAT 00001308 002 OF 002

next higher step.

¶17. (SBU) COMMENT, CONTINUED: Overall, Turkmenistan's approach to banking sector reform thus far has been very tentative. While the fact that they are discussing it is notable, the Turkmen government needs to make some concrete decisions about how to work with experts from the many international organizations, international financial institutions, and foreign missions, establish a serious timeline, and finally choose a path forward. END COMMENT.
CURRAN